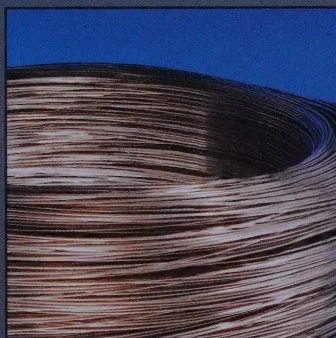




Annual Report 2001



*Quality steel... Quality products...
Quality people... Highly focused...*

Company

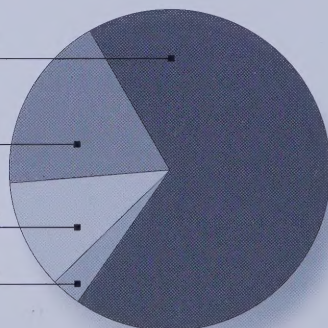
Profile

Ivaco is a Canadian corporation and is a leading North American producer of steel, fabricated steel products and precision machined components. Ivaco's modern steel operations include Canada's largest rod mill, which has a rated production capacity of 900,000 tons of wire rods per annum. In addition, its fabricated steel products operations in Canada and the United States have a rated production capacity in the area of 400,000 tons per annum of wire and wire products and over 200,000 tons per annum of fastener products. Strategic investments in state-of-the-art technology and productivity improvements have positioned Ivaco to be an industry leader in the 21st Century.

SALES DISTRIBUTION

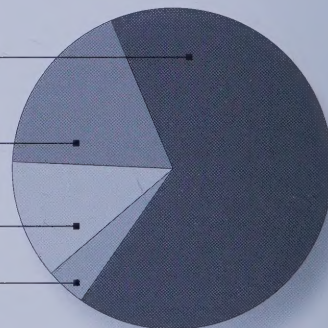
2001

USA	71%
Ontario & Western Canada	18%
Québec & Atlantic Canada	8%
Overseas	3%



2000

USA	68%
Ontario & Western Canada	18%
Québec & Atlantic Canada	11%
Overseas	3%

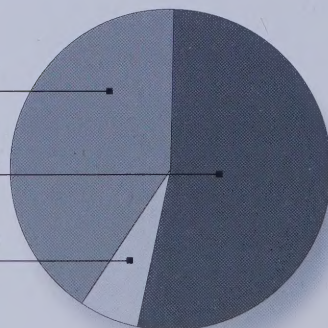


EBITDA ⁽¹⁾

(IN MILLIONS)

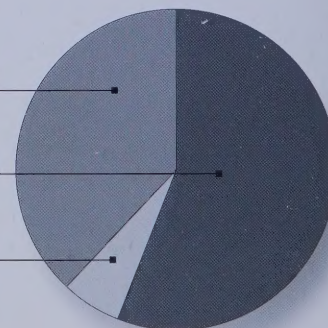
2001 ⁽²⁾

Steel	\$34.7
Fabricated Steel Products	\$44.1
Precision Machined Components	\$4.9



2000 ⁽³⁾

Steel	\$51.9
Fabricated Steel Products	\$77.1
Precision Machined Components	\$7.9



⁽¹⁾ Earnings before interest, taxes, and amortization.

⁽²⁾ 2001 excludes Corporate costs of \$14.5 million.

⁽³⁾ 2000 excludes Corporate costs of \$17.1 million.

Financial Highlights

(Thousands of dollars except per share amounts)	2001	2000
Sales	\$ 892,020	\$ 963,532
Operating earnings (EBITDA) ⁽¹⁾	\$ 69,236	\$ 119,693
Earnings from operations before amortization and other items	\$ 35,002	\$ 85,663
Net earnings (loss) from operations net of applicable income taxes ⁽²⁾	\$ (4,024)	\$ 26,338
Net earnings (loss) ⁽³⁾	\$ (36,626)	\$ 26,338
Net earnings (loss) per share ⁽⁴⁾	\$ (1.86)	\$ 0.34
Working capital	\$ 187,262	\$ 268,342
Long-term debt	\$ 265,244	\$ 306,084
Shareholders' equity	\$ 384,005	\$ 440,457
Additions to property, plant and equipment including \$15,237 in new capital lease obligations (2000 — \$10,915)	\$ 39,979	\$ 34,788

⁽¹⁾ Earnings before interest, taxes, and amortization.

⁽²⁾ Loss from operations for 2001 of \$9,588 before non-recurring non-cash items, less applicable income tax recovery of \$5,564.

⁽³⁾ 2001 includes non-recurring non-cash write-off of investment in Birmingham Southeast LLC (\$27,549) and Amercord Inc. (\$5,053).

⁽⁴⁾ Per share amounts are calculated after deducting preferred share dividends.

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Shares Listed:

The Toronto Stock Exchange

Transfer Agent and Registrar:

CIBC Mellon Trust Company in Montréal, Toronto, Calgary, Winnipeg, Vancouver and Halifax.

Annual Meeting:

The annual meeting of the Company will be held on May 21, 2002 at 10:00 a.m. at the Marriott Château Champlain Hotel, Montréal, Québec.

To our Shareholders



Paul Ivanier, President and Chief Executive Officer

April 11, 2002

Last year was a difficult one for the North American steel industry. The downturn in the North American economy, intensified by the tragic events of September 11, had a profound impact on most North American steel makers.

Ivaco was certainly not immune from these external forces but we fared better than most of our competitors. We were one of only a few North American steel companies able to maintain positive operating earnings (EBITDA) and positive cash flow – and we did it in each of our three business segments. This was an impressive performance when considered in the context of the North American economy generally and the performance of the steel industry in particular.

Our ability to outperform so many of our competitors can be attributed largely to the major investment we made during the past few years to modernize our equipment to state of the art of the 21st century, expand our capabilities into more quality products, narrow our focus, and position ourselves strategically as a leader in each of our businesses. I talked about this in our annual report last year and it is worth repeating because it has made Ivaco a much more cost efficient and productive company with the ability to make more value added products that have higher profit margins and are less susceptible to economic fluctuations.

Overall, most of our operating units were able to maintain high production levels throughout 2001. However, the weakening economy, pricing pressures on

most of our products, and high energy and transportation costs had a negative impact on sales and earnings, particularly during the second half of last year.

Sales in 2001 were \$892.0 million compared with \$963.5 million the previous year. Operating earnings (EBITDA) were \$69.2 million and cash flow from operations was \$31.1 million. This compared with EBITDA of \$119.7 million and cash flow from operations of \$74.3 million in 2000. We had an operating loss of \$4 million net of applicable income taxes compared with earnings of \$26.3 million in 2000. This is a relatively small loss compared with the very substantial losses incurred by the great majority of North American steel makers.

Our net loss in 2001 of \$36.6 million included a non-recurring non-cash write-off of \$27.5 million on Atlantic Steel's 15% interest in Birmingham Southeast L.L.C. The 85% owner of Birmingham Southeast, namely Birmingham Steel Corporation, signed a definitive agreement for the sale of Birmingham Southeast's mini-mill in Cartersville, Georgia without any prior discussion with Atlantic Steel and without regard to Atlantic Steel's 15% minority interest. The sale was completed on December 31, 2001 despite Atlantic Steel's objection. Atlantic Steel believes the transaction contravenes its clear rights under its agreement with Birmingham Steel as well as its rights as a minority owner of Birmingham Southeast. Atlantic Steel is evaluating legal remedies that may be available as a result of this and other actions by Birmingham Steel that have diminished the value of Atlantic Steel's investment in Birmingham Southeast.

OUR BUSINESSES RESPONDED WELL

Our businesses responded well to the difficult market conditions they faced in 2001. In the steel segment, Ivaco Rolling Mills operated its plant full out, produced a record 826,500 tons of wire rod, and made significant gains in productivity. This performance reflects the benefits of a three-year equipment modernization program completed in 2000. In the fabricated steel products segment, Ifastgroupe took aggressive steps to reduce inventories in the face of lower demand and excess industry capacity. Most of its customers experienced serious business declines and this resulted in lower revenues and earnings for Ifastgroupe. Sivaco Wire Group operated at near capacity through most of the year and successfully introduced a new line of pre-stressed concrete strand wire, a high carbon wire used as a reinforcing material in various concrete structures. The precision machined

components segment maintained its focus on higher value products but reduced demand in the transportation industry depressed revenues and earnings.

Ivaco continued to make progress disposing of surplus property and non-core businesses in 2001. In the first quarter, we completed the sale of Bel-Air Fence, a distributor of fencing and fencing products in Québec, for cash proceeds of \$6.7 million. In the second quarter, we sold a property in Rexdale, Ontario, which generated cash proceeds of \$8.6 million. On October 29, we received \$53.9 million (US\$36 million) in payment of the first note originating from the sale of our 136-acre property in Atlanta. We received an additional \$34.2 million (US\$21.7 million) in payment of the second note, which was deposited into a cash collateral account for the benefit of Atlantic Steel's pension plans.

During 2001, we redeemed \$6.8 million of Second Preferred Shares, Series 5 and purchased \$1.6 million of other preferred and second preferred shares and, under a normal course issuer bid, we purchased 613,500 Class A shares for \$1.9 million. As of March 31, 2002, we also fulfilled our obligation to purchase \$10.9 million of our \$2.625 Cumulative Retractable Second Preferred shares, Series 5 at \$25, representing 15% of the outstanding shares of this series. In addition, during the first quarter of 2002, we purchased all the available number stipulated of Series 1, 2 and 3 Second Preferred shares and Series C Preferred shares on the open market for \$1.2 million. During the first quarter of 2002 we purchased 49,800 Class A shares for a total \$0.2 million.

OUTLOOK IS IMPROVING

There were encouraging signs in the first quarter of 2002 that the economy had begun the transition from the near-recessionary conditions in 2001 to a recovery in 2002. Both the Bank of Canada and the U.S. Federal Reserve have made upbeat comments on the economy, pointing to the increased pace of activity in the first quarter and the expectation that the economy will gather strength as the year progresses. For Ivaco, a sustained period of recovery would almost certainly be accompanied by increased market demand and higher selling prices for our products.

We demonstrated last year that we had successfully positioned ourselves to perform well during economic hard times. We are equally well positioned to capitalize on the economic upturn as it occurs. During the third and fourth quarters of 2001 our EBITDA dropped substantially when compared with the EBITDA of the first and second quarters of 2001. We expect that our EBITDA during the first quarter and second quarter of 2002 will be in the range of the EBITDA reported in the first and second quarters of last year. We also expect a very substantial EBITDA improvement during the third and fourth quarters of 2002 when compared with EBITDA reported for these quarters last year. As a result, we expect EBITDA in 2002 to substantially exceed that of 2001. We will continue to strengthen our competitive position by further diversifying our product range, expanding into more high margin, value added products, and focusing on operating efficiencies and cost reductions in all our businesses.

Ivaco Rolling Mills continues to be strongly booked well into the second quarter. During March, Ivaco Rolling Mills achieved an all time monthly production record of 76,200 tons of wire rods. Ivaco as well as other North American wire rod producers have implemented price increases for wire rod effective April 1, 2002. The Fastener Group operated at about 80% of

capacity in the first quarter and this level is expected to increase as the year progresses. Our wire mills at Marieville, Québec and Newnan, Georgia are heavily booked and the newly installed pre-stressed concrete strand line at Newnan is fully operational and also heavily booked. In addition, the major capital investments we made during the 1995-2000 period are behind us and our capital expenditures for 2002 are expected to be only about \$15 million.

STEEL MAKES HEADLINES

Recently, the steel industry has been making headlines around the world. On March 5, U.S. President George Bush imposed tariffs of up to 30% on certain steel products imported from the European Union, China, Japan, Australia, Russia, South Korea and Brazil. NAFTA partners Canada and Mexico were exempted as were several developing countries.

Wire rods were not included in the U.S. investigation that led to the new tariffs as the U.S. levied a combination of quota-tariffs on wire rod imports in February 2000 with wire rods from Canada and Mexico being exempt. However, at the request of certain U.S. wire rod producers, the U.S. Department of Commerce (the "DOC") initiated a countervailing and antidumping investigation against 12 countries, including Canada. This investigation resulted in preliminary dumping margins for Ivaco's wire rod shipped into the U.S. of 7.36% while our countervailing margin remained at zero. Six other countries were also assessed preliminary dumping margins ranging from a low of 12.38% to a high of 369.10%. Final margins are likely to be announced in August.

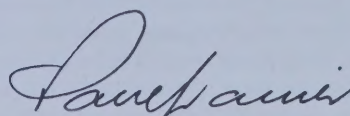
Although details of the DOC's calculations have not been released, Ivaco can make certain initial observations. Ivaco is a long-standing participant in the wire rod market in North America and monitors its sales to comply with U.S. law. The market conditions that caused this dumping margin for Ivaco have changed since the period of investigation and as a result, Ivaco is optimistic that once the DOC's database is updated for a more current time period, this margin will be extinguished or substantially reduced and dumping duty deposits will be refunded to Ivaco with interest.

Ivaco's wire rod products are concentrated in the higher quality end of the U.S. market place and as a result, Ivaco's shipments are not injuring U.S. mills.

The U.S. International Trade Commission ("ITC") will determine in late September if imports of wire rod from all countries concerned are causing injury to the U.S. domestic industry. If the ITC determines that these imports are not causing injury to the U.S. domestic industry then the Department will terminate the investigation for wire rods.

The trying times we experienced in 2001 put extra pressure on our employees, customers and shareholders. I would like to express my appreciation to them for their loyalty and support during a difficult year.

On behalf of the Board of Directors,



Paul Ivanier,

President and Chief Executive Officer

(\$ in millions)	2001	2000
Sales ⁽¹⁾	\$ 470.9	\$ 465.8
EBITDA	\$ 34.7	\$ 51.9
Tons shipped – wire rods	834,400	796,700
Tons shipped – billets	74,400	81,200
Total tons shipped	908,800	877,900

⁽¹⁾ Includes shipment of wire rod to downstream affiliates and sale of billets to third parties.

IVACO ROLLING MILLS

Despite a weak economy and often turbulent market conditions, Ivaco Rolling Mills operated its L'Original, Ontario plant full out during 2001. It set monthly production and productivity records during the year and ended 2001 with record production of 826,500 tons of wire rod, a 2.2% increase over the previous year. Productivity improved significantly to 103 tons per hour, an increase of 4%.

Pricing pressures from certain offshore imports and rising costs, particularly for energy and transportation, had a negative impact on earnings. Selling price increases implemented by IRM during the year helped but still left prices well below their levels of three years ago.

IRM's performance is particularly impressive given the extremely poor industry conditions that prevailed in North America during the year. By successfully utilizing its growing range of high quality products, IRM was one of only a few North American steel makers to increase tons shipped in 2001.

The beneficial effects of a three-year equipment upgrade program completed in 2000 became apparent last year. Experience gained during the first year operating the new equipment enabled IRM to use it more effectively and productively; in other words, to become smarter plant operators. This proved critical in last year's weak markets when customers were slower to commit to new orders, lead times tightened, the mill's planning times shortened and order backlogs shrank.

IRM's superior capabilities have made it a supplier of choice for many of its customers. More and more, as customers reduce their supply base, they are looking to IRM as their majority supplier of high quality wire rod. This represents a significant shift in the nature of the demand for IRM's product. In response, IRM is instituting integrated production and inventory systems, and doing market analysis to become more knowledgeable about end user needs. The objective is to lower inventories throughout the supply chain and make IRM an indispensable part of the supply process.

Sivaco Ontario in Ingersoll, Ontario and Ivaco Steel Processing in Tonawanda, New York, provide further processing of wire rod for IRM and other customers. Both plants have narrowed their focus and increased their quality capabilities in recent years and operated at or near capacity during 2001.

IRM continues to look for new ways to improve efficiency and reduce costs. In the rod mill, automatic size gauges have been installed before the sizing mill to control the size of the cross section and a second Sund Birsta compactor with automatic wire tying will replace two older units this year. In the steel mill, a new software program has been designed to optimize use of scrap and minimize costs. Possible changes in the melt shop are being examined to improve productivity. Transportation is one of IRM's major cost components and IRM has developed a returnable wooden crate that allows it to ship 20% more tire cord rod in a rail boxcar without damaging the cord. Customer interest in tire cord has increased and IRM expects to be fully qualified by most tire cord manufacturers by mid-2002.

IRM's focus on developing higher margin value-added products, which are less subject to certain offshore pricing pressures, continued throughout the year. These products now account for more than 80% of the rod mill's output and IRM is planning to extend its research capabilities at L'Original. During 2001, IRM produced rod in new diameters not produced previously and conducted successful industrial trials with new grades of cold heading steel. It expects to begin commercial production during 2002.

IRM is also building on its experience and new equipment capabilities to identify and develop other rod products from cast steel for end uses currently supplied only from rolled billets.

IRM's ongoing safety training program is producing tangible benefits. From 1993 to 2001, IRM's annual premium paid to the Workplace Safety and Insurance Board dropped. In addition, it received annual premium rebates based on the frequency, severity and cost of its accidents being lower than other industries in its group.

At the end of November, IRM's Quality System was certified to the new ISO-9000: 2000 quality standard.

IRM expects markets to strengthen and selling prices to improve in 2002 as the economy recovers. Costs are expected to be lower in the rod mill and productivity and mill utilization should increase as IRM becomes even more proficient operating its new equipment.



Aerial view of L'Original steel making and rod mill complex 1

Fabricated Steel Products

(\$ in millions)	2001	2000
Sales	\$ 496.3	\$ 567.3
EBITDA	\$ 44.1	\$ 77.1

FASTENERS

Ifastgroupe faced extremely difficult market conditions in 2001. Demand for bolts has been depressed since the first quarter of 2001 as most market sectors were adversely affected by the economic recession last year. The majority of Ifastgroupe customers experienced average business declines of 25% to 30% and those serving the truck and agricultural implement industries were down as much as 50%.

Ifastgroupe, the largest producer of fasteners in North America and one of the low cost producers in each of its markets, responded with aggressive steps to reduce inventories

at its Infasco operation in Marieville, Québec and its Distributor Sales warehouse network in the United States by cutting production at Infasco in March and throughout the second quarter. Production levels increased to about 75% of capacity in the second half of the year.

The combination of reduced demand and excess industry capacity resulted in lower revenues and earnings at Infasco. In addition, pricing pressures from imports continued throughout the year.

During 2001, Infasco and Distributor Sales implemented a new software system for order entry and inventory management at their warehouses and Infasco increased the level of computerization involved in processing sales orders. A mechanical descender for nuts was purchased to improve tool life and reduce heat treat expenses and a boltmaker was acquired, overhauled, and installed at Infasco. Four nut tappers were also purchased and an additional hot nut former installed.

Distributor Sales transferred inside sales functions at its Chicago warehouse to its Mentor, Ohio warehouse. Other staff and services at the Chicago warehouse remained unchanged. Renewed focus was placed on cost control and inventory reduction.

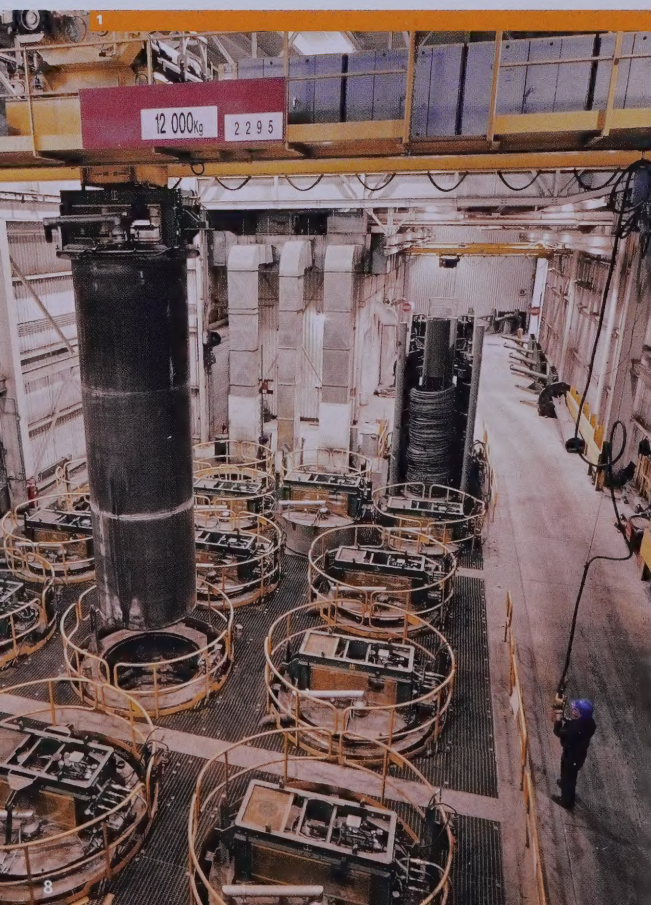
Ingersoll Fasteners, a manufacturer of value-added fasteners, also felt the effect of the North America recession. Sales to all segments of its marketplace were impacted negatively by the dramatic downturn that affected its automotive, truck, and OEM customer base. Efforts were intensified to increase market share of automotive and truck wheel bolts and increase penetration of the market for flange bolts. These successful initiatives will result in additional sales volume beginning in the second quarter of 2002. During 2001, Ingersoll Fasteners installed a new boltmaker for 5/8-inch and 3/4-inch flange bolts and new inspection equipment. It also completed the overhaul and upgrade of one of its heat treat lines.

At Vermont Fastener Manufacturing in Swanton, Vermont, two boltmakers were added to produce structural bolts in 3/4-inch to 1-inch diameters and a second heat treat line was installed.

Infasco Nut, a manufacturer of specialty nuts in Mississauga, Ontario, had another good year in 2001 largely by keeping inventories low and by cost cutting in various parts of its business. Infasco Nut's major client is General Motors but it has successfully diversified its client base over the past four years.

Galvano, Ifastgroupe's surface finishing division in Beloeil, Québec, had lower revenues because Infasco, its major customer, had less work.

Ifastgroupe expects business conditions to improve in the second half of 2002.



Pot annealing furnaces with atmospheric control for raw material intended to be used for high strength fasteners 1

Wire rod mechanical descaler 2

Large multi-station boltmaker capable of producing long bolts in diameter up to 1 1/4 inches 3



Fabricated Steel Products

WIRE AND WIRE PRODUCTS

Sivaco Wire Group had a satisfactory year in 2001. It was able to operate at near capacity through most of the year despite recessionary conditions that affected markets for many of its products, particularly in some of its regional markets in the southern United States. Overall, demand was steady throughout the year and Sivaco maintained consistent sales and production volumes at its plants in Marieville, Québec and Newnan, Georgia.

Sivaco is a leading North American supplier of high quality wire and wire products with the capacity to produce wire and processed rod of approximately 400,000 tons per year. During the last two years, it has significantly increased both its capacity and its ability to produce value-added products by installing sophisticated new high-speed equipment and upgrading existing equipment. In addition, Sivaco is the largest producer of wire mesh in Canada through Numesh, a jointly owned company established by Ivaco and Fertek Inc. in Laval, Québec in 1999.

Sivaco Québec's diversified product line and customer base allowed it to weather the economic slowdown last year by focusing on sectors of the economy that were doing relatively well. This was particularly true in the second half when pricing

pressures increased. Significant investments in new equipment at Marieville have enabled it to increase production of value-added products which are not as susceptible to price fluctuations. During the year, an automated ultra modern computer controlled HCL cleaning line was installed at Marieville. Also, during the year high speed, high carbon wire-drawing equipment was installed and some existing equipment upgraded at Marieville.

At Sivaco Georgia, production of pre-stressed concrete strand wire began in the second quarter following installation of the latest in PC Stranding, stress relieving and wire drawing equipment. PC Strand wire is made from high carbon wire and is used as a concrete reinforcement material for bridges, overpasses, buildings and other concrete structures. Despite weaker than anticipated demand during 2001 in the construction, road work and transportation industries, Sivaco's product was well received. It shipped all of the PC Strand wire it produced and was operating its PC Strand line on three shifts by year-end. In addition to the high speed, high carbon wire drawing machine installed for the PC Strand line, a second wire drawing machine was installed to increase the plant's capacity to produce more cold heading quality wire and high carbon wire.



Sivaco's major investment in new equipment during the last two years and its commitment to top quality service, have positioned it to do well as the economy improves in 2002. Sivaco Québec has state-of-the-art technology at its Mariville plant and expects to achieve continued growth in value-added product and to produce more cold heading wire during 2002.

The outlook for Sivaco Georgia's PC Strand and other value-added products is encouraging. Sivaco has major new customer orders for cold heading wire and expects to further increase penetration of existing accounts. This additional tonnage should let its two ultra modern Ebner annealing furnaces and numerous box furnaces for cold heading wire run full out in 2002.

Sivaco's latest high speed wire drawing machines and spooling equipment for sophisticated high carbon programs

1

Sivaco's ongoing commitment to Ebner state-of-the-art technologies in furnaces for its cold heading programs

2



Fabricated Steel Products

WIRE AND WIRE PRODUCTS

Sivaco has re-entered the PC strand market with the latest in stranding, stress relieving and its larger industry preferred package

1



Precision Machined Components

(\$ in millions)	2001	2000
Sales	\$ 56.2	\$ 71.9
EBITDA	\$ 4.9	\$ 7.9

IMT CORPORATION

IMT Corporation experienced reduced demand in its major business groups during 2001. Lower volumes and higher manufacturing costs resulted in a decline in revenues and operating earnings. IMT, based in Ingersoll, Ontario, manufactures high quality precision machined components for the truck-trailer, original equipment manufacturing and defense industries. P.C. Drop Forgings, a division of IMT, supplies hot forged components to IMT and industry in general.

A marked slowdown in the North American transportation industry, which accounts for almost half of IMT's sales, was the single biggest contributor to the decline in 2001. IMT's forging and axle groups are major suppliers to the truck-trailer industry. IMT's defense and machining groups focused on higher margin business and were able to maintain sales near the previous year's levels.



Profit margins will remain under pressure in 2002 as long as excess capacity exists in the marketplace that IMT serves. IMT will continue to cut costs and take steps to increase sales in all its business groups during 2002.

IMT Corporation manufacturing facility at Ingersoll, Ontario

Axle spindles

Standard axles ready for shipment



DOCAP (1985) CORPORATION

Docap is an industry leading importer, providing products to the automotive, hardware, industrial and heavy duty truck aftermarkets. The general economic downturn during 2001 had a negative effect on its results. Docap concentrated on attracting new customers, especially in the hardware industry. In the last two years, Docap has become a supplier to almost

every major hardware chain in Canada. These new customers and a continued focus on adding new products will provide increased profit opportunities in 2002.

Management's Discussion and Analysis

The purpose of this Management Discussion and Analysis (MD&A) is to provide Ivaco Inc.'s (Ivaco or the Company) management commentary on the Company's consolidated results of operations, financial condition, and cash flows, and should be read in conjunction with the audited consolidated financial statements of the Company that are presented on page 19 to page 37 of this Annual Report. This discussion and analysis focuses on the three operating segments of Ivaco's business: Steel, Fabricated Steel Products, and Precision Machined Components.

OVERVIEW

Net sales for the year of \$892.0 million were down \$71.5 million or 7.4% over 2000 sales of \$963.5 million. Sales for the Steel segment were higher than a year earlier, while the Fabricated Steel Products segment and the Precision Machined Components segment both reported lower sales compared to 2000. Shipments of wire rod in the Steel segment were 834,400 tons, an increase of 4.7% over the similar period in 2000. This improvement in shipments was due in large part to the continued rising demand for the higher quality wire rods now being produced at Ivaco Rolling Mills. Sales in the Fabricated Steel Products segment declined by \$71.0 million or 12.5% over the comparable period in 2000. The principal reason for the decline in sales was the overall softening of the North American economy. Similarly, the Precision Machined Components segment struggled with difficult market conditions in 2001, and reported sales of \$56.2 million, a decline of \$15.7 million or 21.8% compared to 2000.

Operating earnings before interest, income taxes, depreciation and amortization (EBITDA) for the year 2001 declined by 42.2% to \$69.2 million. This compares to \$119.7 million in 2000. In addition to the above noted decline in sales for 2001, several other factors contributed to the decline in EBITDA in each of Ivaco's operating segments including pricing pressures from offshore imports, and the impact of significantly higher energy, and transportation costs.

Net interest expense amounted to \$27.2 million in 2001 compared to \$26.9 million in 2000. This increase of \$0.3 million is due to higher borrowings of bank debt during the year, offset by lower borrowing rates and interest income earned on the note receivable of \$53.9 million (US\$36 million) with respect to the sale of the Company's 136-acre property in Atlanta.

During 2001, the Company reported a pre-tax gain of \$4.6 million primarily from the disposal of Bel-Air Fence and its Rexdale property.

Amortization expense for the year was \$49.2 million, \$2.9 million higher than 2000. This increase is as a result of increased amortization of deferred preproduction and deferred product development costs at Ivaco Rolling Mills, as well as higher amortization of the deferred foreign exchange pertaining to the Company's U.S. denominated long-term debt.

In December 2001 management determined that the value of its 15% interest in Birmingham Southeast LLC had been impaired because Birmingham Steel Corporation, the owner of the other 85%, had entered into an agreement without Atlantic Steel's prior knowledge for the sale of Birmingham Southeast's mini-mill facility in Cartersville, Georgia, which was an integral part of Birmingham Southeast. This sale was completed on December 31, 2001 despite Atlantic Steel's objection. Accordingly, the Company recognized a non-recurring non-cash write-off of \$27.5 million. Similarly, in December 2001, as Amercord Inc. had suspended all

its operating activities, management recognized a non-recurring non-cash write-off of \$5.1 million being its 9.9% investment in Amercord Inc. in the amount of \$2.9 million and the non-interest bearing note receivable from Amercord of \$2.2 million.

Ivaco reported a consolidated income tax recovery of \$5.6 million in 2001 compared to an income tax provision of \$15.0 million in 2000. This income tax recovery applies to the loss from operations of \$9.6 million. There was no income tax benefit recorded with respect to the non-recurring non-cash write-offs of \$32.6 million.

For 2001, the Company recorded a net loss of \$36.6 million, or a loss of \$1.86 per share, compared to net earnings of \$26.3 million or earnings per share of \$0.34 per share in 2000.

The weighted average number of common shares outstanding for 2001 was 28,326,199 compared to 29,729,698 for 2000. This reduction relates to common shares purchased by the Company during 2001 under normal course issuer bids. At December 31, 2001, there were 28,052,422 common shares outstanding.

RESULTS OF OPERATIONS

The following is a summary of sales and operating earnings before interest, income taxes, depreciation and amortization (EBITDA).

(thousands of dollars)	SALES		EBITDA	
	2001	2000	2001	2000
Steel	\$339,512	\$324,268	\$34,651	\$51,907
Fabricated Steel Products	496,277	567,318	44,128	77,062
Precision Machined Components	56,231	71,946	4,921	7,863
Corporate	-	-	(14,464)	(17,139)
	\$892,020	\$963,532	\$69,236	\$119,693

Steel

The Company's steel operations are comprised of its steel and wire rod manufacturing facilities at Ivaco Rolling Mills (IRM) in L'Orignal, Ontario and wire rod processing plants in Ingersoll, Ontario, and Tonawanda, New York. A significant portion of IRM's production is sold to the Company's downstream facilities. The balance of its wire rod production is sold to a diverse group of customers in Canada and the United States, which manufacture products for the automotive, agricultural and construction industries and other manufacturers of wire and wire products. These products are widening and include welding wire, spring wire, tire cord and products requiring cold heading quality wire rod for a multitude of applications. The wire rod processing plants provide various heat treatment, cleaning and coating applications to further enhance IRM's ability to deliver customized product and service to value-added markets.

Sales for the Steel segment of \$339.5 million were up \$15.2 million or 4.7% versus the same period last year. Shipments of wire rod to non-affiliated customers were up by 10.0%. Sales of value-added, special chemistry wire rods account for 80% of product mix, similar to 2000. Selling prices further deteriorated during the first nine months of 2001 due to the overall softening of the North American market. However, selling price increases announced in the third quarter together with an increased demand for wire rods helped to benefit the fourth quarter. Additional wire rod price increases have been announced effective April 1, 2002. Sales of billets as a proportion of total steel output

Management's Discussion and Analysis

declined to 8% versus 9% in 2000. These sales were made to maintain lower billet inventory levels and resulted in a loss of \$9.0 million which was allocated to Corporate.

The cost of steel scrap and scrap substitutes represent a significant component of IRM's steel operations manufacturing costs. In 2001, the overall softening of the North American economy resulted in scrap prices falling to their lowest levels in almost 15 years. These lower prices have helped to cushion the effect of the lower wire rod prices. However, since the beginning of 2002, scrap prices have begun to increase to more normal levels. Increased energy costs, especially natural gas and fuel costs, all negatively impacted margins at IRM. As a result, EBITDA of \$34.7 million in the Steel segment for 2001 was down \$17.2 million or 33.2%, compared to the same period in 2000.

Interest expense for 2001 decreased by 6.5% due to the lower borrowing rates experienced during the year. Amortization of deferred preproduction and deferred product development costs, higher amortization of property, plant and equipment resulting from capital spending in prior years, and higher amortization of the deferred foreign exchange pertaining to the segment's US denominated long-term debt, resulted in an increase in amortization of 19.6%.

Fabricated Steel Products

The Company's Fabricated Steel Products segment is comprised of the fastener operations (Ifastgroupe) and the wire operations of the Sivaco Wire Group (SWG).

Ifastgroupe manufactures cold forged bolts, as well as hot and cold forged standard nuts, and is a major producer of speciality fasteners. Ifastgroupe's products are sold to numerous markets, including the automotive, construction, heavy machinery, transportation, and oil and gas industries in most regions of Canada and the United States. SWG manufactures a wide variety of wire products, including bright and galvanized high carbon and low carbon wire, cold heading wire and nails. Markets for SWG's products include construction, heavy machinery, transportation, communication, and industrial manufacturing.

Overall sales in the Fabricated Steel Products segment declined 12.5% to \$496.3 million, a decrease of \$71.0 million from the \$567.3 million in sales reported in 2000. EBITDA for the segment of \$44.1 million was down \$33.0 million or 42.8% from the \$77.1 million recorded in the previous year.

Ifastgroupe faced extremely difficult market conditions in 2001 as most market sectors were adversely affected by the continuing economic recession last year. As a result, Ifastgroupe experienced a decline in tons shipped of 17.9% when compared with the previous period. In order to maintain inventories at reasonable levels, Ifastgroupe operated some of its facilities at reduced production capacities, which further deteriorated margins.

In the Sivaco Wire Group, sales remained at about the same level as in the previous year, after taking into consideration the divestiture of Bel-Air Fence in the first quarter of 2001. Sivaco Québec in Marieville was able to continue to improve its product mix by selling more value-added high carbon bright and galvanized products. Similarly, Sivaco Georgia was able to both increase volumes shipped over the previous year, as well as improve its product mix with more high carbon and cold-heading products. Also, Sivaco Georgia's new equipment to manufacture PC strand wire was commissioned and was operating on three shifts by the end of the fourth quarter. It is now operating on four shifts fullout.

Interest and amortization expenses for the segment were comparable to 2000.

Precision Machined Components

IMT Corporation in Ingersoll, Ontario fabricates steel forgings and precision machined components.

The Precision Machined Components segment had sales in 2001 of \$56.2 million, down 21.8% from the same period last year. Demand for axles and forged products declined as the transportation industry continued to be negatively impacted by the continuing economic recession.

Operating margins were negatively impacted by these reduced volumes and resulted in higher manufacturing costs. Amortization costs remained stable during the year while interest costs were down.

Corporate

Ivaco's corporate segment includes corporate expenses and expenses related to previously discontinued operations.

In 2001 EBITDA was a loss of \$14.5 million, compared to a loss of \$17 million in 2000, a betterment of \$2.7 million from the previous year. During the year, Corporate realized a foreign exchange gain of \$4.5 million with respect to the notes receivable pertaining to the sale of the Company's 136-acre property in Atlanta and a loss of \$9.0 million on the sale of excess billets, as previously discussed in the Steel segment. In addition, interest income was down \$2.2 million due to lower borrowing rates, while amortization remained the same as the previous year.

Quarterly Results

Quarterly results for 2001 and 2000 were as follows (millions of dollars):

	Sales		Net earnings (loss)		Earnings (loss) per share	
	2001	2000	2001	2000	2001	2000
1st Quarter	\$222.3	\$244.6	\$5.7	\$6.1	\$0.06	\$0.07
2nd Quarter	248.7	261.5	4.5	7.4	0.02	0.11
3rd Quarter	211.4	236.1	(4.8)	7.2	(0.31)	0.10
4th Quarter	209.6	221.3	(42.0)*	5.6	(1.63)	0.06
Total	\$892.0	\$963.5	\$(36.6)*	\$26.3	\$(1.86)	\$0.34

*4th Quarter and full year 2001 include non-recurring non-cash write-off of investment in Birmingham Southeast LLC (\$27.5 million) and Amercord Inc. (\$5.1 million). Loss from operations for the year was \$9.6 million less applicable tax recoveries of \$5.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Working capital provided from operations in 2001 was \$31.1 million compared to \$74.3 million for the year ended December 31, 2000. The reduction in the working capital provided from operations was a result of decreased margins from lower selling prices and higher energy and transportation costs being partially offset by the favourable impact of the Canadian dollar versus the U.S. dollar. The primary reasons for the decrease in non-cash working capital items were the collection of the note receivable and reduction of inventories.

Working capital as at December 31, 2001 of \$187.3 million was down \$81.1 million. The main reasons for this decline were the use of the proceeds of the note receivable of \$53.9 million from the sale of Atlanta's property to temporarily reduce revolving bank loans which are included with long-term debt as well as the reduction of inventories of \$28.2 million.

Management's Discussion and Analysis

It is anticipated that internally generated cash flows from operations, credit facilities and other sources will prove adequate to meet ongoing cash requirements for operations, capital expenditures and capital repayments.

Dividends

Dividends on Preferred Shares and Second Preferred Shares included in both the statement of earnings and the statement of retained earnings were \$7.0 million and \$16.3 million respectively or a total of \$23.3 million in 2001, compared to \$23.5 million in 2000. Of the dividends declared in 2001, \$12.0 million were paid in cash and \$11.3 million were paid in Series 5, Second Preferred shares.

Investing Activities

During the year, the Company invested \$40.0 million (including \$15.2 million in new capital lease obligations) in property, plant and equipment primarily to complete projects started in the previous year related to expansion of its production capacity, improvements in productivity, and reduction of costs. This was higher than the \$29.8 million (including \$5.9 million in new capital lease obligations) invested in 2000. The three most significant components of spending in 2001 were the installation of the pickling line at Sivaco Québec in Marieville, the addition of a PC strand line at Sivaco Georgia, and a heat treat furnace at Ifastgroupe's Vermont Fasteners facility in Swanton, Vermont.

In 2001, Ivaco recorded \$14.6 million of net proceeds on disposals of operating assets. During the first half, the Company received proceeds of \$6.7 million on the sale of its Bel-Air fence division and \$8.6 million on the completion of the sale of a 20-acre parcel of land in Rexdale, Ontario, offset by non-recurring expenses of \$0.7 million.

Capital Structure

At December 31, 2001, shareholder's equity was \$384.0 million, compared to \$440.5 million in 2000. This decline can be attributed primarily to the net loss of \$36.6 million and declared preferred dividends of \$16.3 million.

In 2001, Ivaco under its normal course issuer bids purchased for cancellation 613,500 shares at an average price of \$3.10, which resulted in a gain of \$4.0 million being included in retained earnings. The Company renewed its normal course issuer bid on November 27, 2001 under which it is entitled to purchase an additional 2.1 million shares during the period ending on November 28, 2002.

During the year, the Company purchased on the open market for cancellation 16,738 Second Preferred Shares, Series 1; 26,219 Second Preferred Shares, Series 2; 14,977 Second Preferred Shares, Series 3; 4,000 Preferred Shares, Series C; 100 Preferred Shares, Series D; and 1,300 Preferred Shares, Series E. These purchases resulted in a gain of \$0.1 million, which was included in retained earnings.

On March 31, 2001, the Company redeemed, at \$25 per share, 271,803 Second Preferred Shares, Series 5 shares with a stated capital of \$6.4 million in accordance with their terms.

Long-term debt was \$265.2 million at December 31, 2001, down \$40.9 million from \$306.1 million at December 31, 2000. This decrease is attributable to the repayment of long-term debt in accordance with their terms, the temporary reduction in revolving bank lines of \$41.1 million offset by an increase of \$10.7 million in U.S. dollar denominated debt due to the

weakening of the Canadian dollar. At December 31, 2001 the ratio of long-term debt to shareholders' equity remained the same as at December 31, 2000, being 41:59.

Cash Resources

Cash and cash equivalents were \$53.3 million at December 31, 2001 compared to \$48.3 million at December 31, 2000. Operating activities provided \$94.9 million of cash while financing activities used \$78.8 million, including the temporary reduction of revolving bank lines and repayment of long-term debt. Investing activities used \$11.0 million of cash including the proceeds on disposals of investments and operating assets. The ratio of current assets to current liabilities was 1.7:1 compared to the 1.9:1 achieved in 2000. As mentioned above, the main reason for this change was as a result of the temporary reduction of long-term revolving bank lines from the proceeds of the note receivable with respect to the sale of the property in Atlanta, Georgia.

RISKS

Financial

Ivaco is subject to some risk associated with currency and interest rate fluctuations.

Interest rate

A significant portion of the Company's long-term debt is at fixed interest rates and, therefore, its exposure to interest rate risks is limited.

Foreign Currency

The Canadian operations of the Company generate substantial revenues in U.S. dollars, primarily through exports of products manufactured in Canada. For 2001, the Company's exports sales were \$631.5 million (\$659.9 million in 2000), substantially all of which were to United States customers.

The Company's Canadian operations also incur substantial costs in U.S. dollars related to materials used in the manufacturing process and for principal and interest payments on its U.S. dollar denominated debt. Subject to the Company's hedging strategy, any increase in the Canadian dollar relative to the U.S. dollar adversely affects the Company's consolidated earnings, whereas any decrease in the Canadian dollar relative to the U.S. dollar has a positive effect on earnings.

From time to time, the Company enters into currency options and forward exchange contracts for some of its Canadian operations. This is done to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollar expenditures including principal and interest payments on U.S. dollar denominated debt. The extent of such hedging varies from time to time and there can be no assurance that such strategy will be successful in the future in materially reducing the Company's exposure to currency fluctuations. During 2001, the Company did not enter into any currency options.

Business

The markets in which the Company operates are highly competitive, both in Canada and in the United States. The Company competes in its markets based on quality, service, technical innovation, delivery time and price. Competitors range in size from relatively small regional companies to large corporations that are national and international in geographic coverage. Some of the Company's competitors may have greater financial and other resources than the Company.

Management's Discussion and Analysis

North American producers of wire rods, fasteners and certain wire products including nails and PC strand, face significant competition from certain foreign competitors who typically have lower labour costs. The intensity of the Company's foreign competition in these specific product lines is substantially affected by fluctuations in the value of the U.S. dollar and the Canadian dollar against several other currencies. Many foreign steel producers are owned, controlled or subsidized by foreign governments and their decisions with respect to production and sales may be influenced more by political and economic policy considerations than by prevailing market conditions. Some foreign producers may continue to ship products into the North American market despite decreasing profit margins or losses. There can be no assurance that foreign competition might not increase in the future, which may adversely affect the Company's earnings.

Environmental

Ferrous scrap is the principal raw material used by the Company's steelmaking operations. The recycling of scrap has positive contributions to the environment. In addition, the Company's other facilities and operations are engaged in businesses which are subject to an evolving body of environmental laws and regulations concerned with air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances.

The Company's Environmental, Health and Safety department regularly reviews and audits each segment's operating practices to monitor compliance with the Company's environmental policies and legal requirements. Ivaco believes it is in material compliance with all laws and regulations relating to the environment.

Based on known existing conditions, and the Company's experience in complying with emerging environmental issues, it is the Company's view that future costs relating to environmental compliance will not have a material effect on its financial position. However, this is a dynamic and constantly changing area of legislation and there is no assurance that unforeseen changes in the law or enforcement policies of the various regulatory agencies would not result in significant costs in the future.

Future Accounting Changes

The Canadian Institute of Chartered Accounts ("CICA") recently issued revised Handbook Section 1650, Foreign Currency Translation. Effective January 1, 2002, all unrealized foreign currency gains and losses will be included in earnings. Previously, foreign currency gains and losses on long-term monetary items were deferred and amortized over the life of the related items. These changes will be applied retroactively with restatement of prior periods. At December 31, 2001, other assets include \$9,975 relating to deferred unrealized foreign currency losses.

The CICA also recently issued new Handbook Section 3870, stock-based compensation and other stock-based payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments or incurs liabilities based on the price of common stock or other equity instruments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions,

effective January 1, 2002 and applied to awards granted on or after that date. Ivaco's management does not expect the adoption of this new standard to have an impact on its financial statements.

Outlook

For 2002 we expect that EBITDA will substantially exceed the reported EBITDA for 2001. The improving trend will be visible when the results for the first and second quarter are reported. We expect they will be in the range of the EBITDA reported in the first and second quarters of last year and then continue with substantial improvement in EBITDA over the third and fourth quarters reported last year.

The improving trend for 2002 is based on the Company's performance so far and the expectation that the North American economy will approach more normal conditions as the year progresses, resulting in increased market demand for some of Ivaco's products, which should result in increases in selling prices. Ivaco and other North American wire rod producers have announced price increases for wire rod effective April 1st, 2002. Our rod mill is heavily booked into the second quarter. Total orders on hand for wire rod in tons at Ivaco Rolling Mills for rolling ahead are close to the highest level achieved during the past 20 months. Our wire mills at Marieville, Québec and Newnan, Georgia are also heavily booked. The newly installed prestressed concrete strand line at Newnan is now fully operational and is also heavily booked. The Fastener Group's operations are now operating at about 80% of capacity and it is expected that this will increase as the year progresses.

On April 3, 2002, the U.S. Department of Commerce announced preliminary determination of dumping margins for wire rod. The preliminary dumping margin for Ivaco is 7.36% and the previously announced countervailing margin for Ivaco is zero. The preliminary dumping margins for six other countries range from a low of 12.38% to a high of 369.10%. Final margins are likely to be announced in August.

Although the Department has not released the details of the calculation, Ivaco can make certain initial observations. Ivaco is a long-standing participant in the wire rod market in North America and monitors its sales to comply with U.S. law. The market conditions that caused this dumping margin for Ivaco have changed since the period of investigation and as a result, Ivaco is optimistic that once the Department's database is updated for a more current time period, this margin will be extinguished or substantially reduced and dumping duty deposits will be refunded to Ivaco with interest.

Ivaco's wire rod products are concentrated in the higher quality end of the U.S. market place and as a result, Ivaco's shipments are not injuring U.S. mills.

The U.S. International Trade Commission ("ITC") will determine in late September if imports of wire rod from all countries concerned are causing injury to the U.S. domestic industry. If the ITC determines that these imports are not causing injury to the U.S. domestic industry then the Department will terminate the investigation for wire rods.

This MD&A contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements.

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Ivaco Inc. and its subsidiaries are the responsibility of management and have been reviewed and approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include, where appropriate, estimates based on the judgment of management. Financial and operating data elsewhere in the annual report are consistent with those contained in the accompanying consolidated financial statements.

In fulfilling its responsibilities, management of Ivaco and its subsidiaries has developed and continues to maintain systems of internal accounting controls, including policies and procedures, and segregation of duties and responsibilities. While no system of internal control can detect and prevent all errors and irregularities, management believes that the systems in place provide an acceptable balance between benefits to be gained and the related cost.

The Board of Directors carries out its responsibility for review and approval of the consolidated financial statements principally through its Audit Committee. The Audit Committee of the Board of Directors has three members, all of whom are independent directors. They meet periodically with management and with external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the consolidated financial statements and financial reporting matters.

The consolidated financial statements have been audited on behalf of the shareholders by Deloitte & Touche, LLP, in accordance with Canadian generally accepted auditing standards. Their report contains the nature of their audit and expresses their opinion on the consolidated financial statements of the Company. Deloitte & Touche, LLP, have full access to the Audit Committee.

Paul Ivanier
President and Chief
Executive Officer

Albert A. Kassab
Senior Vice-President and
Chief Financial Officer

Hugh W. Blakely
Vice-President and Controller

February 22, 2002

Auditors' Report

To the Shareholders of
Ivaco Inc.

We have audited the consolidated statements of financial position of Ivaco Inc. as at December 31, 2001 and 2000, and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montréal, Québec
February 22, 2002

Deloitte & Touche, LLP
Chartered Accountants

Consolidated Statements of Financial Position

AS AT DECEMBER 31

(Thousands of dollars)

	2001	2000
Current assets		
Cash and cash equivalents	\$ 53,315	\$ 48,261
Accounts receivable - trade and other	113,392	118,857
Note receivable	-	53,903
Inventories (Note 3)	298,802	326,958
Prepaid expenses	6,393	4,543
Total current assets	471,902	552,522
Current liabilities		
Bank indebtedness, partly secured	19,499	16,360
Accounts payable and accrued liabilities		
Trade and other	167,474	179,010
Dividends payable	5,891	5,890
Officers (Note 16)	7,432	6,616
Income taxes payable	8,800	9,562
Future income tax liabilities (Note 12)	8,413	6,491
Current maturities, Second Preferred Shares, Series 5 (Note 8)	9,911	6,417
Current maturities of long-term debt (Note 9)	57,220	53,834
Total current liabilities	284,640	284,180
Working capital	187,262	268,342
Investments, at cost (Note 4)	58,623	89,060
Property, plant and equipment (Note 5)	432,113	427,221
Cash in collateral account (Note 6)	36,762	-
Other assets (Note 7)	83,096	125,152
Total investment	797,856	909,775
Deduct:		
Long-term debt (Note 9)	265,244	306,084
Second Preferred Shares, Series 5 (Note 8)	56,163	57,760
Employee future benefits (Note 10)	53,106	66,948
Future income tax liabilities (Note 12)	39,338	38,526
	413,851	469,318
Shareholders' equity	\$ 384,005	\$ 440,457
Represented by:		
Capital stock (Note 11)	\$ 429,989	\$ 437,560
Retained earnings (deficit)	(52,422)	(3,646)
Cumulative translation adjustment	6,438	6,543
	\$ 384,005	\$ 440,457

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors

(signed) Paul Ivanier, Director (signed) Albert A. Kassab, Director

Consolidated Statements of Earnings

YEARS ENDED DECEMBER 31		(Thousands of dollars except per share amounts)	
	2001	2000	
Net sales	\$ 892,020	\$ 963,532	
Cost of sales and operating expenses	822,784	843,839	
Operating earnings before:	69,236	119,693	
Net interest expense	(27,208)	(26,895)	
Dividends on Second Preferred Shares, Series 5 (Note 8)	(7,026)	(7,135)	
Earnings from operations before amortization and other items	35,002	85,663	
Gain on disposal of operating assets (Note 14a)	4,584	1,909	
	39,586	87,572	
Amortization	(49,174)	(46,229)	
Earnings (loss) from operations before non-recurring non-cash write-off of investments, and income taxes	(9,588)	41,343	
Non-recurring non-cash write-off of investment in Birmingham Southeast LLC (\$27,549) and Amercord Inc. (\$5,053) (Note 14b)	(32,602)	-	
Income taxes recovery (expense) (Note 12)	5,564	(15,005)	
Net earnings (loss)	\$ (36,626)	\$ 26,338	
Earnings (loss) per share (Note 2)			
Basic and diluted net earnings (loss) per common share	\$ (1.86)	\$ 0.34	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings (Deficit)

YEARS ENDED DECEMBER 31		(Thousands of dollars)	
	2001	2000	
Balance at beginning of year, previously reported	\$ (3,646)	\$ 38,306	
Accounting changes (Note 1)	-	(59,812)	
Balance at beginning of year, restated	(3,646)	(21,506)	
Add:			
Net earnings (loss)	(36,626)	26,338	
Gain on purchase of common shares	4,010	10,553	
Gain on purchase of preferred shares	128	221	
	(32,488)	37,112	
Deduct:			
Preferred dividends – paid in cash	4,959	16,372	
Preferred dividends – paid in stock	11,329	-	
Common dividends	-	2,880	
	16,288	19,252	
Balance at end of year	\$ (52,422)	\$ (3,646)	

See accompanying notes to consolidated financial statements.

Consolidated Statements

of Cash Flows

YEARS ENDED DECEMBER 31

(Thousands of dollars)

		2001	2000
Operating activities	Operations		
	Net earnings (loss)	\$ (36,626)	\$ 26,338
	Amortization	49,174	46,229
	Future income taxes (recovery)	(9,185)	8,584
	Gain on disposal of operating assets (Note 14a)	(4,584)	(1,909)
	Non-recurring non-cash write off of investments (Note 14b)	32,602	-
	Foreign exchange gain on notes receivable	-	(3,251)
	Other non-cash items	(318)	(1,695)
	Working capital provided from operations	31,063	74,296
	Decrease (increase) in working capital items		
	Accounts receivable – trade and other	1,359	7,163
	Note receivable	53,903	-
	Inventories	28,156	(42,127)
	Prepaid expenses	(1,850)	270
	Accounts payable and accrued liabilities	(10,675)	(15,558)
	Income taxes payable	(762)	7,309
	Others – non-cash items	(381)	462
	Employee future benefits	(13,842)	(7,345)
	Other items	7,950	6,096
	Cash provided by operating activities	94,921	30,566
Financing activities	Dividends	(8,017)	(17,694)
	Repayment of long-term debt	(83,430)	(76,331)
	Additional long-term debt	25,151	103,245
	Decrease in bank indebtedness	(1,980)	(6,121)
	Common shares repurchased	(1,894)	(7,958)
	Preferred and Second Preferred Shares repurchased	(1,556)	(2,063)
	Redemption of Second Preferred Shares, Series 5	(6,794)	-
	Other items	(306)	(2,173)
	Cash used in financing activities	(78,826)	(9,095)
Investing activities	Net additions to property, plant and equipment	(24,742)	(23,873)
	Deferred preproduction costs	-	(14,481)
	Proceeds on disposal of operating assets	14,552	19,478
	Other items	(851)	(4,373)
	Cash used in investing activities	(11,041)	(23,249)
Cash and cash equivalents	Increase (decrease) in cash and cash equivalents	5,054	(1,778)
	Cash and cash equivalents, January 1	48,261	50,039
	Cash and cash equivalents, December 31	\$ 53,315	\$ 48,261

Supplemental Cash Flow Information (Note 17)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

DECEMBER 31, 2001 and 2000

(all dollar amounts are presented in thousands, except per share amounts)

Significant Accounting Policies

The Company follows Canadian generally accepted accounting principles, in the preparation of its consolidated financial statements. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of Ivaco Inc. and its subsidiaries.

The proportionate consolidation method of accounting is used to account for the Company's interest in joint venture operations. This method of accounting brings into the consolidated financial statements, the Company's share of the specific assets, liabilities, sales and expenses of joint venture operations.

Other investments are carried at cost.

Foreign Exchange Translation

Foreign Operations

Assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at year-end exchange rates. Cumulative gains and losses on translation are deferred and included as a separate component of shareholders' equity. Income and expenses are translated at average exchange rates prevailing during the year.

Monetary assets and liabilities of integrated foreign operations are translated into Canadian dollars at year-end exchange rates. All other assets and liabilities are translated at historical rates. Revenues and expenses (other than amortization, which is translated at the same rates as the related assets) are translated at the rates in effect on the transaction dates or at the average rate of exchange. Translation gains or losses are included in the statement of earnings, except for unrealized translation gains and losses on long-term debt, which are deferred and amortized over the life of the related long-term debt.

Canadian Operations

Foreign monetary assets and liabilities of Canadian operations are translated into Canadian dollars at year-end exchange rates. Translation gains and losses are included in the statement of earnings except for unrealized translation gains and losses on long-term debt, which are deferred and are amortized over the remaining lives of the related long-term debt. Revenues and expenses are translated at average exchange rates prevailing during the year.

Gains and losses arising from financial instruments used to hedge future transactions are carried forward and accounted for when the related gains and losses on the hedged items are realized.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short-term investments having a maturity of three months or less.

Inventories

Inventories are stated at the lower of cost (determined substantially on the first-in, first-out method) and net realizable value.

Notes to Consolidated Financial Statements

Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated amortization. Interest costs related to major capital expenditures are capitalized during the period of construction. Amortization is provided principally on the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings	40 years
Steelmaking and rolling mill equipment	25 years
Manufacturing equipment	15 years

Deferred Preproduction and Development Costs

Certain costs relating to the start-up of new facilities and major plant additions, incurred prior to achieving expected levels of commercial production, are deferred and amortized over periods of up to five years.

Research and development expenditures are expensed as incurred with the exception of costs related to the development of new products, processes and systems, to the extent that their recovery can be reasonably assured. Such costs are amortized over periods of up to five years.

Deferred Financing Costs

Costs relating to financings are deferred and amortized over the term of the related financing agreements.

Employee Future Benefits

The Company sponsors non-contributory defined benefit plans that provide for pensions, other retirement and post-employment benefits for substantially all employees. The cost of benefits earned is actuarially determined using the projected benefit method. Pension assets are measured at market value. Pension expense includes amortization of the excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation and the market value of plan assets over the remaining service period of active employees.

Future Accounting Changes

The Canadian Institute of Chartered Accountants ("CICA") recently issued revised Handbook Section 1650, Foreign Currency Translation. Effective January 1, 2002, all unrealized foreign currency gains and losses will be included in earnings for the year. Previously, foreign currency gains and losses on long-term monetary items were deferred and amortized over the life of the related items. These changes will be applied retroactively with restatement of prior periods. At December 31, 2001, other assets include \$9,975 relating to deferred unrealized foreign currency losses.

The CICA also recently issued new Handbook Section 3870, Stock-based compensation and other stock-based payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date. Ivaco's management does not expect the adoption of this new standard to have an impact on its financial statements.

Notes to Consolidated Financial Statements

1. Accounting changes

As of January 1, 2000, the Company adopted the new recommendations of the CICA with respect to employee future benefits and income taxes whereby: (i) the cost of retirement benefits and post-employment benefits are recognized over the period in which the employees render services rather than on a pay as you go basis; (ii) future income tax liabilities are recorded as if all assets and liabilities were settled at their carrying amounts based on current income tax rates rather than historical rates. These changes were applied retroactively through an adjustment to opening retained earnings. As a result, as of January 1, 2000, future income tax liabilities were reduced by \$23,495, a liability for employee future benefits of \$83,307 was recorded, which was offset by a previously recorded deferred pension asset of \$9,014, and opening retained earnings were reduced by \$59,812.

Effective January 1, 2001, the Company adopted the new recommendations of the CICA with respect to the calculations of earnings per share. The recommendations require the application of the treasury stock method for the calculation of diluted earnings per share. Diluted earnings per share for 2000 has been recalculated using the new recommendations.

2. Earnings (loss) per Share

Earnings (loss) per Class A and Class B share are calculated after providing for dividends on preferred shares and second preferred shares of \$16,288 (2000 - \$16,372) and dividing the total by the weighted average number of shares outstanding during the year. The weighted average number of shares outstanding during the year was 28,326,199 (2000 - 29,729,698).

Basic and diluted earnings (loss) per common share	2001	2000
Earnings (loss) before non-recurring non-cash write-off of investments	\$ (0.71)	\$ 0.34
Non-recurring non-cash write-off of investment in Birmingham Southeast LLC (\$27,549) and Amercord Inc. (\$5,053)	\$ (1.15)	\$ -
Net earnings (loss) per common share	\$ (1.86)	\$ 0.34

The diluted earnings (loss) per share are calculated after giving effect to the dilutive effects of outstanding stock options (see Note 11). The average market value per common share for 2001 was \$3.45 (\$4.06 in 2000).

3. Inventories

	2001	2000
Finished and semi-finished	\$ 134,690	\$ 150,436
Raw materials and supplies	164,112	176,522
Total inventories	\$ 298,802	\$ 326,958

4. Investments, at Cost

	2001	2000
Dofasco Inc. - 2,986,500 common shares	\$ 58,623	\$ 58,623
Birmingham Southeast, LLC - 15% interest (US\$20.1 million)	-	27,549
Amercord Inc. - common shares - 9.9% interest	-	2,888
Total investments, at cost	\$ 58,623	\$ 89,060

Pursuant to the terms of a Trust Agreement the shares of Dofasco Inc. have been pledged to secure the exchange privilege attached to the Exchangeable Second Preferred Shares, Series 4. As at December 31, 2001 the market value of the Dofasco shares exceeds their cost by \$18,458 (2000 - \$1,406).

Notes to Consolidated Financial Statements

5. Property, Plant and Equipment

	2001			2000		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 5,079	\$ -	\$ 5,079	\$ 10,156	\$ -	\$ 10,156
Buildings	119,193	47,251	71,942	121,634	43,775	77,859
Machinery and equipment	674,682	413,526	261,156	652,056	396,474	255,582
Machinery and equipment under capital leases	111,222	17,286	93,936	95,983	12,359	83,624
Total property, plant and equipment	\$ 910,176	\$ 478,063	\$ 432,113	\$ 879,829	\$ 452,608	\$ 427,221

Amortization of property, plant and equipment for 2001 amounted to \$30,700 (2000 - \$32,551).

Capitalized interest for 2001 amounted to \$869 (2000 - \$113).

6. Cash in Collateral Account

The Company has deposited \$36,762 (US\$23,080) in a cash collateral account for the benefit of the Atlantic Steel Industries pension plans. These funds will be returned to the Company as the unfunded liability of these pension plans is reduced.

7. Other Assets

	2001	2000
Net assets held for disposal, primarily real estate	\$ 30,880	\$ 30,758
Note receivable (US\$21,839)	-	32,839
Deferred preproduction costs and other deferred charges, less amortization	29,570	39,417
Deferred product development costs, less amortization	3,900	5,101
Deferred financing costs, less amortization	2,838	3,873
Deferred translation adjustment, less amortization	9,975	4,353
Loans to officers (Note 16a)	5,576	5,330
Other items	357	3,481
Total other assets	\$ 83,096	\$ 125,152

Amortization of deferred charges for 2001 amounted to \$18,474 (2000 - \$13,678).

8. \$2.625 Second Preferred Shares, Series 5

An unlimited number of Second Preferred Shares, Series 5 are authorized of which 2,785,989 (2000 - 2,718,031) shares were issued and outstanding with a stated capital of \$66,074 (2000 - \$64,177).

The \$2.625 Cumulative Redeemable Retractable Second Preferred Shares, Series 5, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company may redeem the whole or any part of the Cumulative Redeemable Retractable Second Preferred Shares, Series 5 at any time at a redemption price of \$25 per share. On March 31 in each of the years indicated hereafter, the Company will purchase shares for redemption, at \$25 per share, provided however that the number of shares that may be so redeemed may not exceed the following percentages outstanding in each such year: 15% in 2002; 15% in 2003; 20% in 2004; and 100% in 2005. On March 31, 2001 the Company redeemed, at \$25 per share, 271,803 shares with a stated capital of \$6,417 in accordance with their terms. Also, during 2001, 339,761 (2000 - 65,362) shares with a stated capital of \$8,314 (2000 - \$1,545) were issued to satisfy, in part, regular dividends on Second Preferred Shares, other than on Second Preferred Shares, Series 5, which were paid in cash.

Notes to Consolidated Financial Statements

9. Long-Term Debt

	2001	2000
Secured		
Obligations under capital leases averaging 7.3% maturing to 2014 of which \$30.8 million (2000 — \$31.2 million) are in U.S. funds	\$ 68,667	\$ 65,297
Term bank loans at variable rates averaging 8.1% at December 31, 2001 maturing to 2008 of which \$8.3 million (2000 — \$6.4 million) are in U.S. funds	15,258	43,319
Mortgages averaging 7.7% maturing to 2015 of which \$6.1 million (2000 — \$6.4 million) are in U.S. funds	12,376	12,725
Revolving bank loan at a variable rate of 8.8% at December 31, 2000 (US\$2.6 million)	-	3,899
Others averaging 6.7% maturing to 2006 of which \$5.8 million (2000 — \$8.5 million) are in U.S. funds	10,915	16,083
Unsecured		
Revolving bank loans at variable rates averaging 6.7% at December 31, 2001	69,322	57,875
Senior Notes at 7.29% maturing to 2004 (US\$22.8 million; 2000 — US\$31.8 million)	36,236	47,609
Senior Notes at 8.44% maturing to 2004 (US\$19.8 million; 2000 — US\$26.3 million)	31,537	39,407
Senior Notes at 7.0% maturing to 2008 (US\$20.0 million)	31,856	29,990
Senior Notes at 10.13% maturing to 2010 (US\$20.0 million)	31,856	29,990
Others averaging 5.9% maturing to 2006 of which \$4.1 million (2000 — \$3.9 million) are in U.S. funds	14,441	13,724
	322,464	359,918
Less: Current maturities	57,220	53,834
Long-term debt	\$ 265,244	\$ 306,084

Required payments of long-term debt over the next five years are:

\$41,714 in 2002; \$40,466 in 2003; \$40,198 in 2004; \$10,544 in 2005; and \$13,226 in 2006.

Capital lease payments are as follows:

	Payment	Interest	Principal
2002	\$20,023	\$ 4,517	\$15,506
2003	17,172	3,428	13,744
2004	16,015	2,461	13,554
2005	12,609	1,555	11,054
2006	6,828	800	6,028
2007 and thereafter	9,918	1,137	8,781
Total capital lease payments	\$82,565	\$13,898	\$68,667

Interest expense on long-term debt was \$26,743 in 2001 (2000 - \$26,593).

Notes to Consolidated Financial Statements

10. Employee Benefits

	2001		2000	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Change in accrued benefit obligations				
Accrued benefit obligation at beginning of year	\$ 436,897	\$ 31,869	\$ 401,839	\$ 27,801
Service cost	8,875	613	7,236	482
Interest cost	31,562	2,335	29,857	2,213
Contributions by plan participants	1,308	23	778	21
Actuarial loss	2,301	2,388	29,019	1,746
Foreign currency exchange rate changes	8,983	598	5,260	301
Benefits paid	(23,463)	(2,002)	(23,915)	(1,799)
Plan amendments	15,277	1,246	14,768	1,104
Settlements	(20,646)	(86)	(31,624)	-
Special termination benefits	-	-	3,679	-
Accrued benefit obligation at end of year	\$ 461,094	\$ 36,984	\$ 436,897	\$ 31,869
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 348,639	\$ -	\$ 363,760	\$ -
Actual return on plan assets	4,522	-	18,826	-
Foreign currency exchange rate changes	7,405	-	5,093	-
Employer contributions	28,285	2,002	19,118	1,799
Contributions by plan participants	1,308	-	778	-
Benefits paid	(23,463)	(2,002)	(23,915)	(1,799)
Plan expenses	(1,339)	-	(1,093)	-
Settlements	(20,646)	-	(33,928)	-
Fair value of plan assets at end of year	\$ 344,711	\$ -	\$ 348,639	\$ -
Funded Status				
Funded status – deficit	\$ 116,383	\$ 36,984	\$ 88,258	\$ 31,869
Unamortized past service cost	(27,583)	(2,160)	(14,354)	(1,015)
Unamortized net actuarial loss	(67,158)	(4,157)	(39,932)	(1,757)
Accrued benefit liability	21,642	30,667	33,972	\$29,097
Valuation allowance	797	-	3,879	-
Net accrued benefit liability	\$ 22,439	\$ 30,667	\$ 37,851	\$ 29,097
The net benefit expense includes the following components:				
Current cost	\$ 10,075	\$ 613	\$ 8,398	\$ 482
Interest cost	31,562	2,335	29,857	2,213
Expected return on plan assets	(31,331)	-	(29,972)	-
Amortization of past service cost	2,048	166	414	89
Amortization of net actuarial loss	322	13	58	-
Settlement loss	3,495	(78)	2,293	-
Decrease in valuation allowance	(3,082)	-	(4,621)	-
Special termination benefits	-	-	3,679	-
Net periodic benefit cost	\$ 13,089	\$ 3,049	\$ 10,106	\$ 2,784

Notes to Consolidated Financial Statements

10. Employee Benefits

(continued)

The significant weighted-average assumptions used in measuring the Company's pension and other obligations were as follows:

	2001		2000	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Discount rate	6.99%	6.99%	7.25%	7.25%
Expected rate of return on plan assets	8.25%	-	8.25%	-
Rate of compensation increase	4.5%	-	4.5%	-

For measurement purposes an 8.99% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 4.26% for 2009 and remain at that level thereafter.

As at December 31, 2001, the plan assets include 1,212,967 Class A shares of the Company with a fair market value of \$3.25 per share at that date.

11. Capital Stock

Authorized

An unlimited number of Preferred Shares issuable in series, Second Preferred Shares issuable in series, Subordinated Non-Voting Preferred Shares, Class A Subordinate Voting Shares (Class A Shares) and Class B Voting Shares (Class B Shares) - all without par value.

Issued and Outstanding

	Number of shares			
	2001	2000	2001	2000
Preferred Shares				
\$4.425 Series C	154,250	158,250	\$ 7,713	\$ 7,913
\$2.50 Series D	34,243	34,343	856	859
\$2.40 Series E	73,281	74,581	1,832	1,865
			10,401	10,637
Second Preferred Shares				
\$2.00 Series 1	1,283,135	1,299,873	32,078	32,497
\$2.00 Series 2	1,783,420	1,809,639	44,586	45,241
\$2.25 Series 3	941,675	956,652	23,542	23,916
			100,206	101,654
Exchangeable Second Preferred Shares, Series 4 (Note 4)	2,986,500	2,986,500	95,568	95,568
Class A Shares	21,513,545	22,086,245	206,808	212,574
Class B Shares	6,538,877	6,574,677	17,006	17,127
			223,814	229,701
Total capital stock			\$ 429,989	\$ 437,560

Preferred Shares

The Preferred Shares are non-voting and each series of Preferred Shares ranks equally with all other series of Preferred Shares and ahead of the Second Preferred Shares, Subordinated Non-Voting Preferred Shares and Class A and Class B Shares.

Notes to Consolidated Financial Statements

11. Capital Stock (continued)

Series C

The \$4.425 Cumulative Redeemable Preferred Shares, Series C, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$50 per share. The Company will make all reasonable efforts to purchase 3,000 shares for cancellation on the open market in each calendar quarter. During the year, 4,000 (2000 – 3,400) shares were purchased and cancelled.

Series D

The \$2.50 Cumulative Redeemable Preferred Shares, Series D, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 7,200 shares for cancellation on the open market in each calendar quarter. During the year, 100 (2000 – 100) shares were purchased and cancelled.

Series E

The \$2.40 Cumulative Redeemable Preferred Shares, Series E, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 8,500 shares for cancellation on the open market in each calendar quarter. During the year, 1,300 (2000 – 500) shares were purchased and cancelled.

Second Preferred Shares

The Second Preferred Shares rank equally with all other series of Second Preferred Shares and after the Preferred Shares and ahead of the Subordinated Non-Voting Preferred Shares and the Class A and Class B Shares.

Series 1

The \$2.00 Cumulative Redeemable Second Preferred Shares, Series 1, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 13,538 shares for cancellation on the open market in each calendar quarter. During the year, 16,738 (2000 – 26,600) shares were purchased and cancelled.

Series 2

The \$2.00 Cumulative Redeemable Second Preferred Shares, Series 2, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 18,719 shares for cancellation on the open market in each calendar quarter. During the year, 26,219 (2000 – 34,300) shares were purchased and cancelled.

Series 3

The \$2.25 Cumulative Redeemable Second Preferred Shares, Series 3, may be purchased by the Company on the open market at prices not exceeding the applicable redemption price of \$25 per share. The Company will make all reasonable efforts to purchase 9,977 shares for cancellation on the open market in each calendar quarter. During the year, 14,977 (2000 – 23,100) shares were purchased and cancelled.

Exchangeable Second Preferred Shares, Series 4

The Cumulative Redeemable Exchangeable Second Preferred Shares, Series 4, are exchangeable, at the option of the holder, into one common share of Dofasco Inc. for each Second Preferred Share, Series 4. Dividends are determined by applying to \$32 a quarterly rate equal to: (i) the cash dividends paid by Dofasco Inc. per common share of Dofasco Inc. during the three calendar months immediately preceding the dividend payment date divided by \$32 expressed as a percentage, plus (ii) 1%.

Notes to Consolidated Financial Statements

11. Capital Stock

(continued)

The Company may redeem Exchangeable Second Preferred Shares, Series 4, at any time at \$32 per share. During 2001 and 2000, no shares were redeemed or exchanged for common shares of Dofasco Inc.

Class A Subordinate Voting and Class B Voting Shares

The Class A Subordinate Voting Shares (Class A Shares) carry one vote per share and the Class B Voting Shares (Class B Shares) carry ten votes per share. The Class A Shares have a dividend rate equal to 120% of any dividend declared on the Class B Shares.

The Class A Shares and the Class B Shares are treated equally in the event of liquidation or in any subdivision or consolidation of either class. In the event an acquisition offer is made to holders of Class B Shares and at least 50% of the Class B Shares are tendered in acceptance of the offer and a similar offer is not made to holders of Class A Shares then each Class A Share will, for purposes of the offer only, be deemed to have been converted into a Class B Share in order that the Class A Shares will be treated equally with the Class B Shares.

The Class B Shares may be converted into an equal number of Class A Shares at any time.

The following transactions occurred during 2000 and 2001 in the Class A Shares and the Class B Shares:

	Number of Shares			
	Class A	Class B	Class A	Class B
Balance at December 31, 1999	24,006,845	6,577,277	\$ 231,076	\$ 17,136
Conversion from Class B to Class A	2,600	(2,600)	9	(9)
Shares purchased during 2000	(1,923,200)	-	(18,511)	-
Balance at December 31, 2000	22,086,245	6,574,677	212,574	17,127
Conversion from Class B to Class A	35,800	(35,800)	121	(121)
Shares issued pursuant to the Employees' Stock Option Plans	5,000	-	17	-
Shares purchased during 2001	(613,500)	-	(5,904)	-
Balance at December 31, 2001	21,513,545	6,538,877	\$ 206,808	\$ 17,006

Stock Options

Under the Company's Employees' Stock Option Plan (1982) and the U.S. Employees Stock Option Plan (1986), the Board of Directors may grant to directors, officers and key employees of the Company and its subsidiaries options to purchase up to an aggregate of 3,064,582 Class A subordinate voting shares. The minimum purchase price for which options are granted will not be less than the market value of such shares at the time the option is granted. No compensation expense is recognized when stock options are granted to employees. Any contribution paid by employees on exercising stock options is credited to capital stock.

Notes to Consolidated Financial Statements

11. Capital Stock

(continued)

Details of the status of the Company's stock option plans as at December 31, 2001 and 2000, and changes during the years then ended are as follows:

	2001		2000	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at beginning of year	2,642,740	\$5.50	2,644,240	\$5.50
Exercised	(5,000)	\$3.40	-	\$ -
Returned	(29,500)	\$6.46	(1,500)	\$7.50
Outstanding at end of year	2,608,240	\$5.49	2,642,740	\$5.50
Options exercisable at end of year	2,608,240		2,642,740	

The following table summarizes information about stock options outstanding at December 31, 2001:

Options Outstanding and Exercisable

Exercise Price	Number of Options	Expiration
\$3.40	1,144,540	2002
\$4.96	65,000	2002
\$7.50	35,000	2002
\$7.19	10,000	2004
\$7.50	1,268,700	2004
\$3.11	85,000	2007
	2,608,240	

Share Appreciation Rights Plan

The Company has established a Share Appreciation Rights Plan. Under the terms of the plan, Share Appreciation Rights (SARs) are awarded to directors, officers and eligible employees entitling the holders to receive an amount in cash equal to the appreciation (between the time of grant and the time of exercise of the rights) in the fair market value of the underlying Class A subordinate voting shares. The aggregate number of shares in respect of which stock appreciation rights may be granted shall not exceed 2,000,000. The plan will expire on December 31, 2002.

As at December 31, 2001, 1,281,500 (2000 - 1,310,500) SARs were outstanding entitling the holders to a payment equal to the difference in the market value at the time of grant (\$4.00) and the time of exercise (\$8.00) of the underlying Class A subordinating shares. As at December 31, 2001 no amounts were due under this plan.

Notes to Consolidated Financial Statements

12. Income Taxes

The provision for (recovery of) income taxes is comprised of:

	2001	2000
Current	\$ 3,621	\$ 6,421
Future (recovery)	(9,185)	8,584
	\$ (5,564)	\$ 15,005

The provision for (recovery of) income taxes is determined as follows:

	2001	2000
Combined basic federal and provincial income taxes	\$ (15,610)	\$ 15,297
Increase (decrease) in income taxes resulting from the following:		
Unrealized loss not tax effected	12,062	-
Large corporation tax	1,800	1,800
Capital gains	(1,603)	(300)
Benefit of capital loss carryforwards previously unrecognized	(1,603)	-
Benefit of losses carried forward/back		(2,109)
Dividends on Second Preferred Shares, Series 5	2,600	2,640
Dividend income	(1,196)	(1,171)
Other items	(2,014)	(1,152)
Total provision for (recovery of) income taxes	\$ (5,564)	\$ 15,005

As at December 31, 2001 and 2000, future income taxes are as follows:

	2001	2000
Future tax assets		
Employee future benefits	\$ 20,752	\$ 26,106
Tax benefits arising from unused tax losses	10,120	3,698
	\$ 30,872	\$ 29,804
Future tax liabilities		
Current assets	\$ 8,413	\$ 6,491
Capital assets	50,129	47,955
Other assets	20,081	20,375
	\$ 78,623	\$ 74,821

Notes to Consolidated Financial Statements

13. Joint Venture Operations

The Company's 50% proportionate share of joint venture operations included in the Consolidated Financial Statements is summarized below:

	2001	2000
Consolidated Statements of Financial Position		
Current assets	\$ 5,475	\$ 4,944
Non-current assets	\$ 3,078	\$ 2,903
Current liabilities	\$ 2,814	\$ 2,128
Non-current liabilities	\$ 3,783	\$ 3,541
Consolidated Statements of Earnings		
Net sales	\$ 10,824	\$ 13,179
Expenses	\$ 10,519	\$ 13,116
Net earnings	\$ 305	\$ 63
Consolidated Statements of Cash Flows		
Cash provided by (used in):		
Operating activities	\$ (129)	\$ (738)
Financing activities	\$ 166	\$ 1,128
Investing activities	\$ (597)	\$ (1,770)

14. Other Items

(a) Gain on disposals in 2001 includes the following:

During the year, the Company disposed of its Bel-Air Fence division for net cash proceeds of \$6,702, which resulted in a pre-tax gain of \$2,214.

The Company disposed of its Rexdale property during the second quarter of 2001 for net cash proceeds of \$8,620, which resulted in a pre-tax gain of \$3,140.

Other charges and expenses totalled \$770.

Gain on disposal in 2000 includes the sale of Ivaco's 50% investment in Bakermat Inc. for cash proceeds of \$7,625 and the sale of other miscellaneous properties for cash proceeds of \$11,853.

(b) Non-Cash Write-Off of Investments

During the fourth quarter, the Company recognized a non-recurring, non-cash loss of \$32,602 with respect to the write-off of its investment in Birmingham Southeast LLC of \$27,549 (US\$20,100) and Amercord Inc. of \$5,053 (US\$3,500). These losses were taken to recognize the impairment of the value of the respective investments.

Notes to Consolidated Financial Statements

15. Discontinued Operations

Assets and liabilities relating to operations which have been discontinued, included in the Consolidated Statements of Financial Position at December 31 are as follows:

	2001	2000
Current assets	\$ 109	\$ 103
Current liabilities	(29)	(1,213)
Property, plant and equipment	5,454	5,454
Other assets (Note 7)	30,880	30,758
Long-term debt	(246)	(272)
Employee future benefits	(15,072)	(15,804)
Net assets	\$ 21,096	\$ 19,026

16. Transactions with Related Parties

(a) Loans to Officers

Loans to officers outstanding at December 31, 2001 amounted to \$5,576 (2000 - \$6,628 of which \$1,298 was repaid in 2001) and are due March 1, 2005. These loans bear interest generally at prime rate and are unsecured, and were made predominantly in connection with the purchase of shares of the Company.

(b) Loans from Officers

From time to time, the Company borrows short-term funds from senior officers of the Company and makes drawings available to them at market rates. At December 31, 2001, borrowings from officers amounting to \$7,432 were outstanding (2000 - \$6,616). These transactions are measured at the exchange amount.

(c) Affiliated Companies

The Company has transactions in the normal course of business with its affiliated companies. These transactions are measured at the exchange amounts and in 2000 included \$14,438 of purchases of raw materials from entities accounted for using the equity method. There were no such amounts in 2001.

17. Supplemental Cash Flow Information

	2001	2000
Interest paid	\$ 32,932	\$ 30,174
Income taxes refunded	\$ 8,073	\$ 7,032
New capital lease obligations	\$ 15,237	\$ 10,915

Notes to Consolidated Financial Statements

18. Financial Instruments and Risk Management

Foreign exchange risks

From time to time, the Company enters into currency options and forward exchange contracts for some of its Canadian operations to partially hedge accounts receivable and future revenues denominated in U.S. dollars, net of expected U.S. dollar outlays including principal and interest payments on U.S. dollar denominated debt.

At December 31, 2001, the Company had forward exchange contracts maturing in 2002 to exchange \$600 U.S. dollars for Canadian dollars (2000 - \$14,500 forward contracts and currency options). The market value of such contracts at December 31, 2001 was such that the Company would have incurred no gain or loss. Gains and losses on outstanding options and forward exchange contracts are accounted for when the related gains and losses on the hedged items are realized. Counterparties to these contracts are major Canadian financial institutions. The Company does not anticipate non-performance by the counterparties.

Interest rate risks

A significant portion of the Company's long-term debt is at fixed interest rates and therefore the Company's exposure to increases in interest rates is minimal.

Credit risks

The Company's exposure to concentration of credit risk is limited due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographic locations. As at December 31, 2001, there was no concentration of credit risk. The Company also maintains credit insurance with a third party insurer to further alleviate risk.

Fair value of financial instruments

Fair value estimates are made as of a specific point in time, using available information about financial instruments. These estimates are subjective in nature and often cannot be determined with precision.

The fair value of current monetary assets and liabilities approximates their carrying value as reported in the Consolidated Statements of Financial Position due to the relatively short period to maturity of the instruments.

The Company's estimated fair values which differ from their carrying values are as follows:

	2001	
	Carrying Amount	Fair Value
Investments, at cost	\$ 58,623	\$ 77,081
Long-term liabilities		
Senior Notes	\$ 131,485	\$ 129,161
Redeemable Second Preferred Shares, Series 5	\$ 66,074	\$ 68,814
2000		
	Carrying Amount	Fair Value
Investments, at cost	\$ 89,060	\$ 90,466
Long-term liabilities		
Senior Notes	\$ 146,996	\$ 141,337
Redeemable Second Preferred Shares, Series 5	\$ 64,177	\$ 62,787

The fair value of the above items was estimated based on quoted market prices (when available), or discounted cash flows, using discount rates based on market interest rates.

Notes to Consolidated Financial Statements

19. Contingent Liabilities

Environmental Matters

The Company's operations are subject to numerous environmental laws, regulations and guidelines adopted by various governmental authorities in the jurisdictions in which the Company operates. It is the opinion of management that under existing legislation and regulatory practices, expenditures required for environmental compliance will not have a material adverse effect on the Company's financial position. Liabilities and probable recoveries, are recorded when environmental remediation obligations are either known or considered probable and can be reasonably estimated.

Litigation

In the normal course of operations, the Company becomes involved in various claims and legal proceedings. In management's opinion, the consolidated financial statements include adequate provisions for litigation. While the final outcome with respect to claims and legal proceedings pending at December 31, 2001 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a materially adverse effect on the Company's consolidated financial position or results of operations.

20. Comparative Figures

Certain of the 2000 figures have been reclassified to conform with the presentation adopted in 2001.

21. Segmented Reporting

Ivaco's three operating segments are strategic business units that offer different products and services and include: steel, fabricated steel products, and precision machined components. The steel segment produces hot rolled wire rods for sale to customers in Canada and the United States and for further processing by the Company's fabricated steel products segment. The fabricated steel products segment produces standard bolts and nuts, specialty fasteners and a wide variety of wire and wire products. The precision machined components segment produces truck trailer axles, precision machined components and steel forgings. Corporate includes corporate expenses and expenses related to previously discontinued operations.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Notes to Consolidated Financial Statements

21. Segmented Reporting (continued)

BUSINESS SEGMENTS					
	Steel	Fabricated Steel Products	Precision Machined Components	Corporate	Total
Net sales – external	\$ 339,512	\$ 496,277	\$ 56,231	\$ -	\$ 892,020
Net sales – intersegment	\$ 131,363	\$ 215	\$ -	\$ -	\$ 131,578
Operating earnings (loss) before:	\$ 34,651	\$ 44,128	\$ 4,921	\$ (14,464)	\$ 69,236
Net interest expense	(14,257)	(14,947)	(351)	2,347	(27,208)
Dividends on Second Preferred Shares, Series 5	-	-	-	(7,026)	(7,026)
Earnings (loss) from operations before amortization and other items	20,394	29,181	4,570	(19,143)	35,002
Gain on disposal of operating assets (Note 14a)	-	12,214	-	2,370	4,584
Amortization	(28,040)	(17,257)	(2,708)	(1,169)	(49,174)
Earnings (loss) from operations before non-recurring non-cash write-off of investments and income taxes	\$ (7,646)	\$ 14,138	\$ 1,862	\$ (17,942)	\$ (9,588)
Identifiable assets by segment	\$ 440,914	\$ 453,280	\$ 38,979	\$ 149,323	\$ 1,082,496
Net additions to property, plant and equipment	\$ 9,709	\$ 14,217	\$ 524	\$ 292	\$ 24,742

BUSINESS SEGMENTS					
	Steel	Fabricated Steel Products	Precision Machined Components	Corporate	Total
Net sales – external	\$ 324,268	\$ 567,318	\$ 71,946	\$ -	\$ 963,532
Net sales – intersegment	\$ 141,542	\$ 206	\$ -	\$ -	\$ 141,748
Operating earnings (loss) before:	\$ 51,907	\$ 77,062	\$ 7,863	\$ (17,139)	\$ 119,693
Net interest expense	(15,242)	(15,388)	(832)	4,567	(26,895)
Dividends on Second Preferred Shares, Series 5	-	-	-	(7,135)	(7,135)
Earnings (loss) from operations before amortization and other items	36,665	61,674	7,031	(19,707)	85,663
Gain on disposal of operating assets (Note 14a)	-	-	-	1,909	1,909
Amortization	(23,442)	(18,846)	(2,905)	(1,036)	(46,229)
Earnings (loss) from operations before non-recurring non-cash write-off of investments and income taxes	\$ 13,223	\$ 42,828	\$ 4,126	\$ (18,834)	\$ 41,343
Identifiable assets by segment	\$ 471,472	\$ 464,381	\$ 43,910	\$ 214,192	\$ 1,193,955
Net additions to property, plant and equipment	\$ 3,801	\$ 19,439	\$ 596	\$ 37	\$ 23,873

GEOGRAPHIC INFORMATION	2001		2000	
	Revenues	Identifiable assets	Revenues	Identifiable assets
Canada – domestic	\$ 231,169	\$ 891,519	\$ 271,174	\$ 982,950
Canada – export – primarily US	631,467	-	659,897	-
	\$ 862,636	\$ 891,519	\$ 931,071	\$ 982,950
United States	29,384	190,977	32,461	211,005
	\$ 892,020	\$ 1,082,496	\$ 963,532	\$ 1,193,955

Financial

Summary

MILLIONS OF DOLLARS EXCEPT PER SHARE AMOUNTS

Operating results	2001	2000	1999	1998	1997	1996	1995	1994
Net sales	\$ 892.0	963.5	913.8	1,008.4	1,193.2	1,222.1	1,416.6	1,418.2
Operating earnings (EBITDA):	\$ 69.2	119.7	102.9	71.3	140.0	122.8	154.6	122.7
Earnings (loss) from operations before amortization and other items	\$ 35.0	85.7	59.1	23.7	94.8	67.7	108.0	90.5
Amortization	\$ 49.2	46.2	44.0	45.5	46.9	42.4	39.5	45.4
Earnings (loss) from continuing operations before income taxes	\$ (9.6)	41.3	3.1	(21.8)	64.6	25.3	68.5	45.0
Provisions for (recovery of) income taxes	\$ 5.6	15.0	(23.7)	6.0	32.9	22.8	30.9	26.6
Earnings (loss) from continuing operations	\$ (36.6)	26.3	26.8	(27.8)	31.7	2.6	37.6	18.4
Net earnings (loss)	\$ (36.6)	26.3	128.2	(18.0)	31.1	(15.5)	28.9	8.1
Earnings (loss) per share ⁽²⁾								
Continuing operations	\$ (1.86)	0.34	0.34	(1.44)	0.53	(0.46)	0.77	0.13
Net earnings (loss) per share	\$ (1.86)	0.34	3.64	(1.12)	0.51	(1.09)	0.47	(0.25)
Financial Position	2001	2000	1999	1998	1997	1996	1995	1994
Current assets	\$ 471.9	552.5	523.6	523.6	559.8	566.7	628.3	571.4
Current liabilities	\$ 284.6	286.9	284.6	291.4	306.5	305.9	291.3	308.4
Working capital	\$ 187.3	265.6	239.1	232.2	253.3	260.8	337.0	263.0
Net additions to property, plant and equipment	\$ 40.0	34.8	55.4	87.4	111.0	43.3	43.9	33.6
Total assets	\$ 1,082.5	1,194.0	1,170.2	1,312.5	1,294.8	1,278.4	1,381.4	1,309.2
Long-term debt, convertible and exchangeable debentures	\$ 265.2	306.1	265.7	490.1	436.7	454.1	519.0	448.1
Shareholders' equity	\$ 384.0	440.5	502.8	406.3	438.0	415.6	452.7	482.7
Dividends ⁽¹⁾	\$ 16.3	19.3	16.4	18.7	21.7	23.1	48.5	1.7
Book value per share ⁽²⁾	\$ 6.11	7.89	9.37	5.69	6.89	6.69	7.78	7.36

⁽¹⁾ Excludes dividends on Second Preferred shares, Series 5 which are deducted from consolidated net earnings.

⁽²⁾ Declared and undeclared preferred share dividends have been deducted in calculating per share amounts.

Financial

Summary

1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
1,220.9	1,094.3	1,115.8	1,868.5	2,001.1	2,013.3	2,127.8	1,944.8	1,342.7	1,193.9	754.7	681.7
92.4	43.1	21.9	133.9	165.9	215.7	197.5	186.6	138.5	128.8	63.5	54.4
60.4	(4.3)	(30.8)	59.4	109.0	165.1	148.2	138.0	97.1	89.0	26.7	(1.2)
43.8	43.8	45.6	55.0	51.8	56.9	56.7	56.3	39.5	34.5	27.0	23.9
16.7	(48.1)	(81.6)	12.2	57.1	108.3	89.0	81.7	57.6	54.4	(0.3)	(25.7)
14.0	(11.7)	(25.2)	0.1	20.9	41.5	42.1	32.7	18.3	15.8	(5.9)	(15.3)
2.7	(36.4)	(56.4)	7.2	28.2	55.6	39.9	43.1	35.1	32.3	2.9	(9.9)
0.3	(19.6)	(59.4)	17.0	12.9	41.9	31.8	44.1	35.1	33.8	0.8	(9.9)
(0.52)	(2.51)	(3.71)	(0.76)	0.29	1.67	0.64	1.11	1.04	1.64	(0.17)	(1.20)
(0.63)	(1.71)	(3.86)	(0.25)	(0.55)	1.03	0.46	1.11	1.04	1.64	(0.34)	(1.20)
1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
484.8	453.3	533.1	620.7	951.8	970.2	913.4	860.1	623.1	536.0	461.8	347.6
264.2	325.8	354.9	369.3	466.1	464.3	441.8	373.0	228.1	263.2	191.0	204.7
220.6	127.5	178.2	251.4	485.7	505.9	471.6	487.1	395.0	272.8	270.8	142.9
18.1	7.0	24.7	39.6	68.0	89.8	88.5	84.4	46.3	39.5	16.6	42.6
1,203.4	1,182.6	1,296.6	1,411.8	1,838.2	1,853.9	1,764.7	1,697.5	1,281.4	1,117.3	890.0	740.4
450.7	404.6	451.9	450.9	645.8	603.4	545.0	531.2	395.8	350.8	263.4	277.6
442.8	422.3	446.9	535.5	548.2	577.3	581.7	604.1	520.6	366.9	303.3	194.9
1.7	3.2	19.1	33.0	34.0	34.1	34.2	33.7	28.4	19.4	10.3	7.0
7.51	8.32	10.35	14.65	15.76	16.91	16.48	16.64	15.01	14.29	13.22	14.25

Directory

of Operations

Atlantic Steel Company

288 Fourteenth St. NW, Suite B
Atlanta, Georgia 30318-5360
(404) 897-4630
Fax: (404) 897-4719
Corporate office

Docap (1985) Corporation

6601 Goreway Drive, Unit B
Mississauga, Ontario L4V 1V6
(905) 673-0000
Fax: (905) 673-1333
Distributors of automotive and
industrial products

Galvano Division

2620, rue Bernard-Pilon
Beloeil, Québec J3G 4S5
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Fax: (450) 464-8553
Electro-galvanizing and hot dip
galvanizing of fasteners and nails

IFC (Fasteners) Inc.

700, rue Ouellette
Marieville, Québec J3M 1P6
(450) 658-8741
Fax: (450) 447-0114
Bolts and nuts

IFC USA Corp.

P.O. Box 216
Swanton, Vermont 05488
(450) 658-8741
Fax: (450) 447-0114
Fastener products

Ifastgroupe and Company, Limited Partnership

700, rue Ouellette
Marieville, Québec J3M 1P6
(450) 658-8741
Fax: (450) 447-0114
www.infasco.com
Corporate office

Infasco Division

700, rue Ouellette
Marieville, Québec J3M 1P6
(450) 658-8741
Fax: (450) 447-0114
www.infasco.com
Bolts, nuts and fastener products

Infasco Nut Division

3990 Nashua Drive
Mississauga, Ontario L4V 1P8
(905) 677-8920
Fax: (905) 677-6295
www.infasconut.com
Nuts

Ingersoll Fasteners Division

390 Thomas Street
P.O. Box 40
Ingersoll, Ontario N5C 3K3
(519) 485-4610
Fax: (519) 485-2435
Bolts, nuts and fastener products

IMT Corporation

347 King Street West
P.O. Box 250
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(519) 485-2210
Fax: (519) 485-2163
www.imtpcdf.com
Precision machined components
and axles

Ivaco Rolling Mills Limited Partnership

1040 County Road 17
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Fax: (613) 675-6800
www.ivacorm.com
Hot rolled wire rods and steel billets

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Fax: (248) 649-6116
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U.S. sales office

Ivaco Steel Processing (New York) LLC

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(716) 874-5681
Fax: (716) 874-4440
www.ivacorm.com
Wire rod processing

Directory

of Operations

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Fax: (450) 663-9049
Wire mesh

P.C. Drop Forgings Division

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(905) 834-7211
Fax: (905) 834-5094
www.imtpcdf.com
Steel forgings - upset and drop

Sivaco Wire Group

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(770) 253-6333
Fax: (770) 502-2639
www.sivaco.com
Corporate office

Sivaco Georgia LLC

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Fax: (770) 253-3550
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Fax: (519) 485-3039
www.sivaco.com
Wire rod processing

Sivaco Québec Division

800, rue Ouellette
Mariville, Québec J3M 1P5
(450) 658-8741
Fax: (450) 460-2744
www.sivaco.com
Wire, galvanized wire and nails

Vermont Fasteners Manufacturing Division

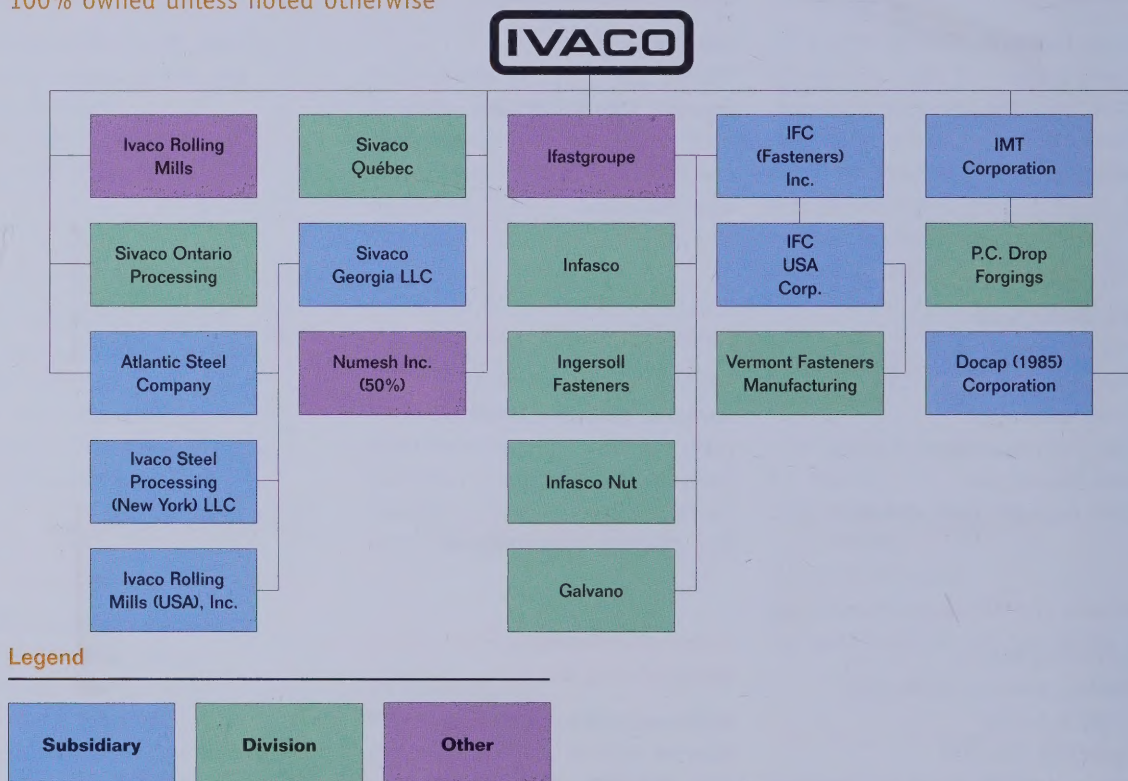
49 Jonergin Drive
Swanton, Vermont 05488
(802) 868-3663
Fax: (802) 868-2089
Fastener products

Vermont Fastener Sales Corp.

P.O. Box 702
Swanton, Vermont 05488
(802) 527-9773
Fax: (802) 527-9967
Assembly, packaging and warehousing
of fastener products

Chart

100% owned unless noted otherwise



Officers

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Sydney Ivanier

Senior Vice-President

Michael Herling

Senior Vice-President

Albert A. Kassab

Senior Vice-President and Chief Financial Officer

Hugh W. Blakely

Vice-President and Controller

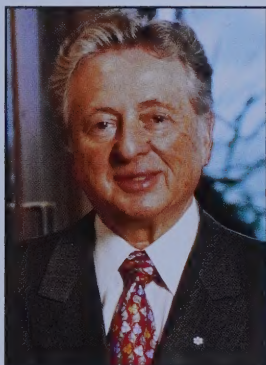
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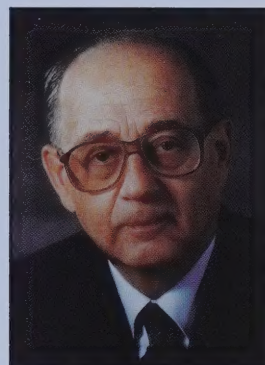
The Board of Directors



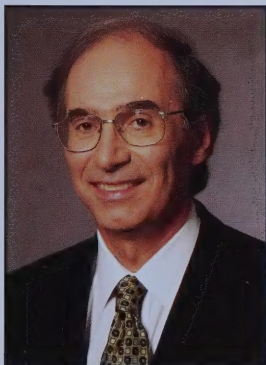
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Chief Executive Officer*



Sydney Ivanier
Senior Vice-President



Michael Herling
Senior Vice-President



Albert A. Kassab
*Senior Vice-President
and Chief Financial Officer*



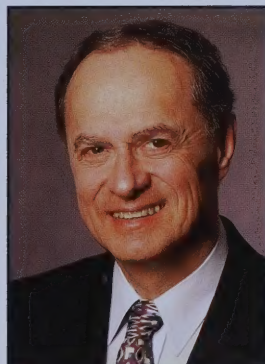
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